

**ANN JOO RESOURCES BERHAD (371152-U)**  
**(“AJR” or “THE COMPANY”)**

**EXPLANATORY NOTES**

**1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”), FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Bhd (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2010, except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretation which are applicable to its financial statements:

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 1, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 7, Improving Disclosures about Financial Instruments
- Amendments to FRS 132, Financial Instruments: Presentation
  - Classification of Right Issues
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 4, Determining Whether an Arrangement contains a Lease
- IC Interpretation 12, Service Concession Arrangements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- IC Interpretation 18, Transfers of Assets from Customers
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- Improvements to FRSs (2010)

The adoption of the new and revised FRSs, IC Interpretation and Amendments has no material effect to the Group’s consolidated financial statements of the quarter or the comparative consolidated financial statements of the prior financial year.

## **2. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS**

Except for the major festive seasons when activities slow down, the pace of the Company's business generally moves in tandem with the performance of the economy.

## **3. NATURE AND AMOUNT OF UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year-to-date.

## **4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES**

There were no major changes in estimates that have had material effect on the financial year-to-date results.

## **5. DEBT AND EQUITY SECURITIES**

During the quarter under review, the Company repurchased 20,000 shares of its issued share capital from the open market at an average purchase price of RM 2.83 per share. As at 31 March 2011, out of the total 522,708,178 issued and fully paid ordinary shares, 20,610,800 shares were held as treasury shares at an average purchase price of RM 3.35 per share. The share buyback transactions were financed by internally generated funds.

Save as disclosed above, there were no issuances, cancellations, resale or repayments of debt and equity securities during the financial period under review.

## **6. DIVIDENDS PAID**

No dividend was paid during the financial year-to-date.

## 7. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the financial period ended 31 March 2011 were as follows:

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	396,089	160,787	272		
Inter-company transactions	159,223	16,518	7,812	(183,553)	
Total sales	<u>555,312</u>	<u>177,305</u>	<u>8,084</u>	<u>(183,553)</u>	<u>557,148</u>
<b>RESULTS</b>					
Segment results	42,688	16,505	2,192	(1,780)	59,605
Finance cost					(6,285)
Interest income					288
Share of results of an associate					20
Taxation					<u>(10,964)</u>
Profit for the period					<u><u>42,664</u></u>
<b>ASSETS</b>					
	<u>2,151,299</u>	<u>504,869</u>	<u>1,013,066</u>	<u>(982,800)</u>	<u>2,686,434</u>
<b>LIABILITIES</b>					
	<u>1,260,092</u>	<u>359,272</u>	<u>75,548</u>	<u>(112,828)</u>	<u>1,582,084</u>

## 8. VALUATION OF PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

The valuations of property, plant and equipment, prepaid lease payments and investment properties have been brought forward without amendments from the previous annual report.

## 9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the current quarter under review and the date of this report, any item, transaction or event of a material and unusual nature likely in the opinion of the Board of Directors, to affect substantially the results of the operations of the Group for the current quarter in respect of which this announcement is made.

## 10. CHANGES IN THE COMPOSITION OF THE GROUP

The Company had, on 25 January 2011, entered into a Shares Sale Agreement with SHH Holdings Sdn. Bhd. and Chuan Huat Hardware Holdings Sdn. Bhd. to acquire 3,000,000 and 2,700,000 ordinary shares of RM1.00 each respectively in Anshin Steel Processor Sdn. Bhd. (“ASP”) for a cash consideration of RM 2.10 per share totaling RM11,970,000-00. The acquisition was completed on 11 February 2011 and ASP became a wholly-owned subsidiary of the Company.

Save as disclosed above, there were no significant changes in the composition of the Group for the financial year-to-date.

## 11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual reporting date.

## 12. CAPITAL COMMITMENTS

The capital commitments as at 31 March 2011 were as follows:

Commitments in respect of capital expenditure :

	<u>RM'000</u>
(a) contracted but not provided for	88,007
(b) approved but not contracted for	39,970

## 13. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM 557.15 million, an increase of RM 83.20 million or 18% as compared to the revenue of RM 473.95 million for the corresponding quarter of the preceding year. This was mainly attributable to higher steel prices and sales tonnage of various steel products which were boosted by upturns domestic demand and export market.

The Group achieved a profit before tax (“PBT”) of RM 53.63 million for the current quarter, RM 7.24 million or 16% higher than the PBT of RM 46.39 million for the corresponding quarter of the preceding year. Higher profitability was mainly due to steel price recovery and improved demands coupled with effective execution in strategic procurement and inventory management during the quarter under review.

#### **14. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

The Group recorded revenue of RM 557.15 million for the current quarter was RM 128.59 million higher than the revenue of RM 428.56 million for the preceding quarter. Correspondently, the Group registered a PBT of RM 53.63 million for the current quarter, RM 51.19 million higher than the PBT of RM 2.44 million for the preceding quarter. The increase in revenue and PBT was mainly attributable to an improved steel demand and upswing international price trend where the time lag effects of market recovery were fully felt in the current quarter coupled with effective execution of strategy procurement and inventory management policies.

#### **15. PROSPECTS**

The renewed growth momentum of the international steel market with encouraging signs of an increase in steel consumption is mainly driven by massive infrastructure needs, expansion of industrial production and recovery in consumer spending, especially in high-growth emerging economies and developing countries. In the short-term, demand for construction steel is expected to experience a cyclical upswing during the construction peak period while the impacts of the earthquake and tsunami disaster in Japan and political unrest in the Middle East and North Africa region begin to recede.

Local steel demand is visibly improving and will accelerate when the projects awarded under the Tenth Malaysia Plan and the Economic Transformation Program such as Second Penang Bridge, KLIA 2, LRT extensions and MRT lines, are in full swing.

The Group will continue to strategize its approach to pursue business growth not only in Malaysia but also in the Southeast Asia market, relying on its the competitive edge derived from its operational efficiency and product quality.

The Board of Directors is confident that, with the right strategies and continuous productivity improvement, the Group would be in a better position to achieve a strong performance on the back of strong rebound in both domestic and international demand in the year 2011.

#### **16. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

The Group did not issue any profit forecast or profit guarantee for the financial period ending 31 December 2011.

## 17. TAXATION

The tax figures comprise:-

	3 months ended 31.3.2011 RM'000	3 months ended 31.3.2011 RM'000
Malaysian taxation		
- current year taxation		
subsidiary companies	6,983	6,983
- deferred taxation		
subsidiary companies	3,981	3,981
	<u>10,964</u>	<u>10,964</u>

The Group's effective tax rate for the current quarter was lower than the Malaysian statutory tax rate of 25%, which was mainly due to availability of tax incentives.

## 18. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial period under review.

## 19. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities during the financial period under review.

The available-for-sale investments in quoted securities as at 31 March 2011 were as follows:-

	RM
(i) at cost	399,434
(ii) at carrying value	251,141
(iii) at market value	251,141

## 20. STATUS OF CORPORATE PROPOSALS

Ann Joo Integrated Steel Sdn Bhd (“AJIS”), the wholly-owned subsidiary of the Company, had on 10 February 2011 signed the transaction documents in relation to a proposed redeemable bonds of RM 500 million (“Bonds”) with Affin Investment Bank Berhad (“Affin Investment”) as the lead arranger, facility agent and issue agent together with Affin Bank Bhd, Alliance Investment Bank Bhd, OCBC Bank (Malaysia) Berhad and United Overseas Bank (Malaysia) Bhd as the joint lead managers for the Bonds and Pacific Trustees Berhad as the trustee and the security trustee for the Bonds. The Bonds shall have a tenure of up to five years from the date of first issuance.

The proceeds to be raised from the Bonds shall be utilised to refinance the amount drawn under AJIS’s existing RM400.0 million Syndicated Revolving Credit Facility and the remaining RM100.0 million to part finance the construction and completion of AJIS’s blast furnace project located in Seberang Perai, Penang.

The Securities Commission had vide its letter dated 27 December 2010 approved the Bonds application. On 9 May 2011, Affin Investment submitted another application to SC to revise the principal terms and conditions of the Bonds and also to seek for an extension of a further three months from 26 June 2011 until 26 September 2011 for the issuance of Bonds.

Save as disclosed above, there were no corporate proposals announced but not completed as at the date of this report.

## 21. GROUP BORROWINGS AND DEBT SECURITIES

The Group’s borrowings as at 31 March 2011 were as follows:-

	<u>RM’000</u>
Short term borrowings :-	
- Secured	14,040
- Unsecured	<u>1,339,370</u>
	<u>1,353,410</u>
Long term borrowing :-	
- Secured	<u>44,260</u>
Total borrowings	<u><u>1,397,670</u></u>

The Group’s total short term borrowings are denominated in Ringgit Malaysia, except for approximately RM 506.63 million (USD 166.86 million) of short-term borrowings which are unsecured and denominated in US dollars.

## 22. FINANCIAL INSTRUMENTS

The details of the outstanding derivative financial instruments as at 31 March 2011 are as follows:-

Type of derivatives	Notional amount RM'000	Fair value RM'000	Fair value net gain RM'000
Currency forward contracts - less than 1 year	3,709	3,709	0

The above currency forward contracts were executed with creditworthy financial institutions in Malaysia. The Group is of the view that the credit risk of non-performance by the financial institutions concerned is remote on the basis of their financial strength.

## 23. MATERIAL LITIGATION

There was no material litigation against the Group as at the date of this report.

## 24. DIVIDEND

The Board of Directors does not recommend any interim dividend for the current quarter ended 31 March 2011. (1<sup>st</sup> quarter 2010: Nil).

## 25. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit attributable to owners of the parent for the period by the weighted average number of ordinary shares of the Company in issue during the current quarter as set out below:-

		3 months ended 31.3.2011	3 months ended 31.3.2011
Total profit attributable to owners of the parent	(RM'000)	42,300	42,300
Weighted average number of ordinary shares in issue or issuable	('000)	502,110	502,110
Basic earnings per share	(sen)	8.42	8.42



For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the current quarter as set out below:-

		3 months ended 31.3.2011	3 months ended 31.3.2011
Adjusted profit attributable to owners of the parent	(RM'000)	45,925	45,925
Adjusted weighted average number of ordinary shares in issue or issuable	('000)	763,463	763,463
Diluted earnings per share	(sen)	<u>6.02</u>	<u>6.02</u>

## 26. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 March 2011 is analysed as follows:

	<b>31/3/2011</b> <b>RM'000</b>
Total retained earnings of the Company and its subsidiaries:	
- Realised	683,095
- Unrealised	11,470
	<u>694,565</u>
Total share of retained earnings from an associated company	
- Realised	410
- Unrealised	-
	<u>694,975</u>
Less: Consolidation adjustments	(169,777)
Total group retained earnings	<u><u>525,198</u></u>

## **27. STATUS OF AUDIT QUALIFICATION**

There was no audit qualification on the audit report of the preceding annual financial statements.

## **28. AUTHORISATION FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 May 2011.

By Order of the Board  
Leong Oi Wah (MAICSA 7023802)  
Mabel Tio Mei Peng (MAICSA 7009237)  
Company Secretaries  
26 May 2011  
Selangor Darul Ehsan